

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER RAPER
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: NEIL PRICE
DEPUTY ATTORNEY GENERAL

DATE: OCTOBER 16, 2015

SUBJECT: ROCKY MOUNTAIN POWER'S APPLICATION TO MODIFY THE
ENERGY COST ADJUSTMENT MECHANISM AND INCREASE RATES,
CASE NO. PAC-E-15-09

On May 27, 2015, PacifiCorp dba Rocky Mountain Power ("Rocky Mountain" or "Company") submitted an Application seeking a Commission Order authorizing the Company to: (1) increase rates by \$10.2 million, or 3.9% on average, effective January 1, 2016, as summarized in the electric service schedules attached to the Application; and (2) modify the Energy Cost Adjustment Mechanism ("ECAM"). On June 11, 2015, the Commission granted intervention to Monsanto Company ("Monsanto") and PacifiCorp Idaho Industrial Customers ("PIIC"). *See* Order No. 33321.

On July 15, 2015, the Commission issued a Notice of Modified Procedure, Notice of Schedule and Settlement Conference. *See* Order No. 33339. On August 11, 2015, a settlement conference, attended by representatives of the Company, Commission Staff ("Staff"), Monsanto and PIIC, hereafter collectively referred to as "the Parties," was held at the Commission in Boise, Idaho. Subsequently, the Parties agreed to and signed a Stipulated Settlement Agreement ("Stipulation") resolving all of the outstanding issues in this case.

On October 15, 2015, after several months of mutual negotiation between the Parties, the Company filed a copy of the Stipulation with the Commission. Below is an outline of the pertinent provisions of the Stipulation which is presented for the Commission's approval:

STIPULATION

1. The Parties agree that Idaho retail revenues should increase by \$10.2 million (3.9%) effective January 1, 2016. The Parties further agree this increase will apply to all rate schedules as set forth in Exhibits 4 and 6 to the Company's Application and as set forth in the tariff sheets provided in Exhibit 7 and attached to the Stipulation.

2. The Parties agree that the \$10.2 million increase above current base rates using 2014 loads will consist of: (a) a \$3.2 million increase after removing Deer Creek depreciation/depletion expense from NPC currently approved in base rates, increasing total Company base NPC from \$1.385 billion (with Deer Creek depreciation) to \$1.529 billion (without Deer Creek depreciation) or \$94.8 million Idaho allocated base NPC with Idaho base energy at meter of 3,483,480 megawatt hours, or \$27.21 per megawatt-hour; (b) a \$6.5 million increase associated with a reduction of the revenue credit from the sale of renewable energy certificates ("RECs") decreasing the total Company revenue credit from \$78 million to \$4.4 million which establishes Idaho's allocated RECs base at \$0.3 million; (c) a \$0.2 million change in tax affected production tax credits ("PTCs") from a total Company credit of \$113.1 million to \$115.7 million establishing Idaho allocated base of \$6.9 million; and (d) \$0.3 million incremental increase in exchange for the Company agreeing not to file a general rate case with rates effective prior to January 1, 2018.

3. The Parties agree that base rates and base NPC should be updated effective January 1, 2017. The updated base NPC will be the amount reported in the 2015 annual results of operations report, after appropriate pro forma adjustments for weather and abnormal power supply expenses. For the rate spread and rate design of the update to base rates, the Company will use an equal cents per kWh approach consistent with this filing. Rocky Mountain Power agrees to file an application for review by interested parties and for approval by the Commission no later than September 1, 2016, proposing the change to base rates, the NPC from the 2015 annual results of operations report, the associated rate change and spread to customer classes, and updated electric service schedules.

4. With the exception of the application to change base rates and base NPC as set forth in the previous paragraph, Rocky Mountain Power agrees that it will not file another application to increase base rates prior to June 1, 2017, with rates effective on or after January 1, 2018. The Parties agree that the base rates established by this Stipulation will, in conjunction

with the ECAM, result in reasonable rates for the period January 1, 2016 through December 31, 2017 (the “Stay-out Period”). During the Stay-out Period the Parties will not request the establishment of new regulatory assets or liabilities, which have not been previously approved by the Commission, except under unique or unforeseen circumstances. Unforeseen circumstances include natural disasters or emergencies.

5. The Parties agree to modify the current ECAM for deferrals on and after January 1, 2016, to reflect that the ECAM will be measured on a dollar per megawatt-hour basis using load at the meter rather than the load at the generator and that base rate recovery will be calculated using annualized NPC embedded in base rates.

6. The Parties agree that 100% of the amortization expense associated with the unrecovered Deer Creek mine investment will be recovered through the ECAM as a separate line item, without application of the sharing band until fully amortized. Starting January 1, 2015, the ECAM will separate the \$1.385 billion (\$87,555,188 Idaho Jurisdiction) base NPC into two separate amounts: (1) base system NPC of \$1,374,697,487 (\$86,901,906 Idaho jurisdiction); and (2) base system Deer Creek depreciation/depletion expense of \$10,302,513 (\$653,282 Idaho jurisdiction). This will allow a separate Deer Creek depreciation expense ECAM deferral of approximately \$0.6 million for unrecovered Deer Creek mining investment by subtracting \$653,282 in base Deer Creek depreciation/depletion expense from actual Deer Creek amortization of approximately \$1.3 million. Beginning January 1, 2016, neither base NPC nor base rates will include Deer Creek depreciation expense and the entire Idaho allocated Deer Creek amortization expense of approximately \$1.3 million will be deferred and recovered through the ECAM.

7. The Parties agree that PTCs will be tracked and trued-up in the ECAM, without application of the sharing band, beginning January 1, 2016. The base PTCs are set at a tax affected total Company level of \$115.7 million, \$6.9 million Idaho allocated.

8. The Parties agree that the Customer/Company sharing band in the ECAM will remain at 90/10 percent respectively for all ECAM components with the exception of: PTCs, amortization of the unrecovered Deer Creek mine investment, RECs and the Lake Side 2 resource adder, which are excluded from the sharing band.

9. The Parties agree that the load change adjustment rate (“LCAR”) will be updated to reflect base loads (at sales) corresponding to the period used to set base rates. The 2016 LCAR is summarized in the following table:

LOAD CHANGE ADJUSTMENT RATE CALCULATION

Description	PAC-E-10-07 Current Amount	PAC-E-15-09 Update Amount
1. Production - Return on Investment	833,083,414	833,083,414
2. Production - Expense	2,173,162,370	2,173,162,370
3. Production - NPC Expenses Production Revenue	(1,748,001,871)	(1,748,001,871)
4. Requirement (Excluding NPC)	1,258,243,913	1,258,243,913
5. System Load	57,460,901	57,460,901
6. Production \$ per MWH	21.90	20.89
7. Energy % (Demand & Energy)	25%	25%
8.	5.47	5.22
9.		
10. Idaho Energy @ Input	3,691,675	3,786,584
11. Idaho Production RR	20,193,462	19,776,001
12. Idaho Energy @ Meter	3,328,058	3,483,480
13. LCAR @ Meter	6.07	5.68

10. The Parties agree that effective January 1, 2016, SO2 revenues and demand-side management costs will no longer be tracked in the ECAM.

11. The Parties agree that the 2016 ECAM Deferral Period will include 13 months (December 1, 2015 to December 31, 2016), and that all subsequent ECAM filings will be based on calendar year deferrals.

12. The Parties agree that the Company’s ECAM applications will be filed annually on April 1, with a rate effective date of June 1, beginning April 1, 2017.

13. The Company and Monsanto agree to extend the current terms of the existing Electric Service Agreement governing curtailment products and payments through December 31, 2017. An executed copy of the contract will be provided separately to the Commission for approval.

Finally, the Stipulation acknowledges that the obligations of the Parties are subject to the Commission’s approval of the terms and conditions of the Stipulation and, if any judicial

review is sought, upon such approval being upheld on appeal by a court of competent jurisdiction.

COMMISSION DECISION

Does the Commission wish to issue a Notice of Stipulation, Notice of Schedule and Notice of Public Hearing(s)?

Neil Price

Neil Price
Deputy Attorney General

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